

TEACHERS' RETIREMENT BOARD
BUDGETS AND AUDITS COMMITTEE

SUBJECT: Compliance Case Summaries

ITEM NUMBER: 8

ATTACHMENTS: 3

ACTION: _____

DATE OF MEETING: November 5, 1998

INFORMATION: X

PRESENTER: Mr. Lee

- | | | |
|----|---------------|--------|
| 1. | San Diego | 1 case |
| 2. | Orange County | 1 case |
| 3. | Alameda | 1 case |

The attached Executive Summaries present the highlights of 3 Compliance cases issued during the period of May through July 1998.

We completed 24 cases with 3 having findings requiring adjustments to retired member's reported creditable compensation and retirement allowances. This summary is presented in terms of the types of findings. The attached Executive Summaries present the findings by county.

Overstated Creditable Compensation: One district in San Diego County reported overstated creditable compensation for one retiring member in two of final compensation years. This error caused the retirement allowance to be overpaid by \$64.65 per month since the retirement date of 07-20-96. The district must adjust the overstated creditable compensation and refund overpaid member contributions to the retired member.

Unapproved 15% Pay Raise: One district in Orange County reported an unapproved 15% pay raise for a retiring administrator raising his last year of creditable compensation from \$68,027.00 to \$81,100.00. The pay raise was not approved by the Board of Education, nor were documents available to support the increase. The result of this unapproved pay raise in the final compensation years was a \$114.00 per month inflated retirement benefit since the 12-01-92 retirement date. This error required the employer to adjust his creditable compensation to the approved amount of \$68,027.00 and refund the overpaid member contributions to the retired member.

Overstated Creditable Compensation: One district in Alameda County reported a full month of creditable compensation for a current member who had resigned from the district. The district must reverse the extra month of compensation, and return the contributions to the member.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings and Adjustments Needed
For Compliance Cases in
San Diego County**

Period of Compliance Case Review: May, June, July 1998

Number of Compliance Cases Included in this Cost-Benefit Summary: 1

Compliance Case Cost-Benefit Summary:

Benefit:

Correction to contributions \$0

Retirement allowance, unfunded \$7,992

Liability (net present value)

Excess post-retirement earnings \$0

TOTAL DOLLAR EFFECT \$7,992.

Unreported post-retirement
Earnings \$0

Cost:

Direct costs (staff
salaries, fringe
benefits) \$1,162.

Benefit per dollar spent \$6.88

Finding:

Overstated Creditable Compensation: The member retired on July 20, 1996. The district overstated the member's earnings for two of the three years used to calculate final compensation. This occurred when the member asked the district to change her payment schedule from 11 monthly payments to 12 monthly payments. When the district did so they reported and paid 12 payments at the former 11-month contract compensation amount. This error caused the members earnings to be overpaid, which resulted in a service retirement allowance that was overstated by \$64.65 per month.

Adjustment Needed: The District has been instructed to submit corrections to STRS that will eliminate the overstated earnings. Also, the district will refund overpaid contributions to the retired member. Once the corrections are submitted, the retired members service retirement allowance will be recalculated and a receivable will be established to collect overpaid allowance amounts.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings and Adjustments Needed
For Compliance Cases in
Orange County**

Period of Compliance Case Review: May, June, July 1998

Number of Compliance Cases Included in this Cost-Benefit Summary: 1

Compliance Case Cost-Benefit Summary:

Benefit:

Correction to contributions: \$ 0
Retirement allowance, unfunded
liability (net present value): \$15,187.

Cost:

Direct costs (staff
salary, fringe
benefits: \$830.

Excess post-retirement earnings: \$ 0

TOTAL DOLLAR EFFECT: \$15,187.

Benefit per dollar spent \$18.30

Unreported post-retirement
earnings: \$ 0

Finding:

Unapproved 15% Pay Raise: The member retired on 12-01-92. Member was working a 12-month contract. The employer reported the member's creditable compensation from 07-01-92 to 11-30-92 as though he worked a 10-month contract. The result was creditable compensation inflated from \$68,027.00 to \$81,100.00 for 1992-93 (a final compensation year) because the district reported earnings with an incorrect pay rate code. The error caused the member to receive a retirement allowance overstated by \$114.03 per month. Adjustments were requested from the district that will restore the member's creditable compensation to the amount stated in the contract, which is \$68,027.00. The member's earnings did not change, so contributions are accurate as reported.

Adjustment Needed: The district must submit corrections to eliminate the incorrectly reported creditable compensation for the period of 07-92 through 12-92. The corrections are to be submitted on STRS Form F-496 Monthly Report of Contributions in accordance with Education Code § 23008 (a). Corrections will remove the overstated creditable compensation and restore it to the accurate amount as noted above. The overstated retirement allowance will be recalculated using correct employer data, and any allowance overpayment will be reconciled through the billing process.

**Office of Audits
Executive Summary
For the Budgets and Audits Committee
Findings and Adjustments Needed
For Compliance Cases in
Alameda County**

Period of Compliance Case Review: May, June, July 1998

Number of Compliance Cases Included in this Cost-Benefit Summary: 1

Compliance Case Cost-Benefit Summary:

Benefit:

Correction to contributions: \$ 433.

Retirement allowance, unfunded
liability (net present value): \$ 0

Excess post-retirement earnings: \$ 0

TOTAL DOLLAR EFFECT: \$ 433.

Unreported post-retirement
earnings: \$ 0

Cost:

Direct costs (staff
salary, fringe
benefits: \$1,340.

Benefit per dollar spent \$0.32

Finding:

Inflated Creditable Compensation: Creditable compensation for the 1994-95 school year for this current member was reported as \$55,281.56 but should have been \$49,874.22. The reason this occurred was that the district reported a full month of earnings for a month the member did not perform service. This was due to a transfer from one district to another. The first district did not stop the member's computer generated warrants when he resigned.

Adjustment Needed: The district must submit corrections to eliminate the incorrectly reported creditable compensation in 1994-95. The corrections will remove the overstated creditable compensation and restore it to the accurate amount. The district will return the overpaid contributions in the amount of \$433.00 to the member.